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FIRST COUNTRY COOPERATION FRAMEWORK FOR KYRGYZSTAN

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INTRODUCTION

1. The present document describes the way in which UNDP can continue to help the Government of Kyrgyzstan in its efforts to achieve sustainable human development. The first country cooperation framework for Kyrgyzstan, which covers the period 1997-1999, is the outcome of ongoing discussions between Government and UNDP, as well as extensive consultations with leaders of civil society, including representatives of academic institutions, non-governmental organizations (NGOs), United Nations agencies and other donors. In addition, an end-term review of UNDP-supported projects and programmes in the country and the UNDP advisory note contributed to discussions of the framework for future development cooperation.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

A. The first steps of transition

2. As a landlocked and isolated country, with a small, highly specialized industrial sector, Kyrgyzstan suffered substantially from the loss of markets that accompanied the dissolution of the former Soviet Union. During the period 1991-1993, output fell by one third and inflation soared to 1,200 per cent. The sharp decline in agricultural and industrial output that followed independence did not begin to turn around until 1995. In spite of these difficulties, Kyrgyzstan has led countries in the region in economic and political reform. Virtually all price controls have been removed, more than half of the state enterprises have been privatized, and considerable price level and exchange rate stability have been achieved since independence.

3. Health and education levels at the time of independence were high compared to those of other countries with similar gross domestic products. However, social and economic changes have disrupted the provision of health and education services, resulting in a rapid deterioration in the level of access to and quality of education, as well as the general level of health of the population. There has been a decrease in life expectancy, a disruption in immunization campaigns and an increase in sexually-transmitted and other infectious diseases. While the literacy rate is high and the level of education attained by men and women is close to equal, enrolment rates and the quality of instruction are declining and the applicability of training and curricula is an issue of concern.

4. Before its independence, the poverty rate in Kyrgyzstan was substantially higher than in the rest of the former Soviet Union, and it remains high today. According to a 1994 World Bank poverty assessment, the poverty rate in rural areas (48 per cent) is higher than in urban areas (29 per cent). For households with three or more children in rural areas, the poverty rate rises to 50 per cent.

B. Government goals and priorities for the next step in the transition

5. The overall government strategy for the next step in the transition is set out in an indicative socio-economic plan for the period 1996-1998, which was issued as a presidential decree in July, 1996. The comprehensive document reviews achievements in the fields of privatization, liberalization and restructuring. The plan calls for further improvement of the legal base and intensive development of the private sector to enable an increase in economic activity.

6. The President's Council on Sustainable Human Development has identified the following priorities for development: (a) a structured dialogue between civil society and the government; (b) a focus on people; and (c) attention to the ethnic and moral values of the population, as well as its material needs. Improving public administration and management capacity is also a priority of the Government; proposals for reducing the number of ministries and the number of employees in the remaining ministries are being considered. In order to increase accountability and reduce corruption among public officials, the President established a Special Security Committee. Presidential commissions on civil service reform and local government have also been established, to shift more authority to local and regional administrations.

7. The Ministries of Health and Education have developed strategies to eliminate inefficiencies, improve cost-effectiveness, and reverse the deterioration in services. A top priority is to support growth in the private sector, in order to increase employment by attracting foreign investment. An updated Public Investment Programme, which focuses on infrastructure development in the sectors of education, health, social structure, environment, energy, transport and telecommunications has also been prepared.

8. The year 1996 has been declared the Year of Education and the Year of the Woman in the Kyrgyz Republic. The President has also formed a State Commission on Family and Women's Affairs, to ensure that concern for women and families is integrated into all government policy and action. Through these and other efforts, the Government has been encouraging the development of NGOs, and the past five years has witnessed a great deal of growth in the activity and capacity of these organizations.

II. RESULTS AND LESSONS OF PAST COOPERATION

A. Official development assistance

9. Since its independence, Kyrgyzstan has received approximately $1 billion in aid from foreign donors. In the years immediately following independence, the country was in the position of simply accepting assistance and projects proposed by donors. The State Committee for Foreign Investment and External Assistance (Goskominvest), established with support from UNDP and the World Bank, has developed substantial capacity for evaluating and managing technical assistance. The country is now able to determine what type of assistance is needed and desirable.

B. The first country programme

10. The Government has developed a great deal of confidence in UNDP because of the success of cooperation during the first country programme (DP/CP/KYR/1). From 1993 to 1996, cooperation under the first country programme focused on developing capacity in three areas: aid management and coordination, management development, and democratization. UNDP assisted the Government in its efforts to build the foundations for a democratic society by supporting capacity-building in the mass media, technical support and training to the Central Election Commission, the production of two national human development reports by the National Academy of Sciences, and human rights training in the Militia School and the Ministry of Internal Affairs.

11. UNDP also provided important support through its regional programmes, participation in and follow-up activities for several international conferences, coordination of humanitarian and other donor assistance in the country. Participation in the Regional Aid Management Programme has facilitated the exchange of expertise in the field of technical assistance evaluation and coordination. Kyrgyzstan also hosted a conference on regional issues for Central Asian countries and sent delegations to the World Summit for Social Development, the Fourth World Conference on Women and the United Nations Conference on Human Settlements (Habitat II) with UNDP support. In addition, UNDP has coordinated emergency assistance for communities that suffered damage from landslides.

C. Government strategy for UNDP cooperation in Kyrgyzstan

12. Kyrgyzstan has met the 20/20 commitment both in the allocation of government expenditure and in the distribution of official development assistance to the country. Following the policy advice of UNDP and with support from UNDP projects, the Government has undertaken two important initiatives that testify to the its commitment to sustainable human development, namely, the establishment of the State Commission on Family and Women's Affairs, in March, 1996, (see also para. 8 above), and the formation of the President's Council for Sustainable Human Development, in June, 1996 (see also para. 6 above).

13. UNDP has been a major development partner of the Government at all levels, providing support for all stages of policy formulation and implementation in many sectors. To ensure effective, high-leverage use of UNDP resources to achieve sustainable human development, the Government will build on the successes that have been achieved through its cooperation with UNDP in the first country programme. Specifically, UNDP resources will be used in the organization's area of comparative advantage, that is, to support the development of national capacity both in terms of institutions and human resources. Furthermore, the close working relationships that UNDP has developed with other donors will help to ensure coordination in development cooperation. The Government has provided substantial cost-sharing resources for one of the ongoing projects and is considering its cost-sharing contribution for two major projects currently under development.

D. Lessons learned

14. Kyrgyzstan is now in an excellent position to take advantage of cooperation with UNDP. The highly centralized nature of the former system inhibited independent, community-level action, and lack of experience with local-level organization and the absence of many types of non-governmental institutions has hindered the process of democratization. However, the extensive education system of the previous period produced a well-educated, thoughtful population that is enthusiastic in its efforts to understand and create civic organizations and participate in grass-roots activities. This enthusiasm has contributed to the success of the cooperative efforts of UNDP and the Government and will continue to be tapped in future projects and programmes, along with extensive use of national expertise in all programme phases, i.e., development, monitoring, execution, implementation and evaluation. National execution, use of national consultants, NGOs and United Nations Volunteers (UNVs) increase the cost-effectiveness of UNDP programmes, as well as the capacity and confidence of local experts, allowing them to exercise more independence in using official development assistance and ensuring that programmes will be less donor-driven.

III. PROPOSED STRATEGY AND THEMATIC AREAS

15. All UNDP priority areas - eradicating poverty, providing jobs and sustainable livelihoods, advancing women, and protecting and regenerating the environment - will figure prominently in its cooperation with the Government of Kyrgyzstan. There will also be a special focus on the overall area of improving governance, according to government priorities identified in the indicative plan, the Public Investment Programme and other government policy documents. In addition, UNDP can play an important role facilitating participation of the Government and NGOs in regional and global initiatives. Finally, the Government has requested that UNDP continue its work mobilizing humanitarian and disaster relief and supporting disaster preparedness and mitigation.

A. Poverty elimination and job creation

16. Poverty is the overriding concern of the Government and several programmes are in place to expand employment and to provide social assistance to the most vulnerable. At the same time, the Government realizes that it is important to help people help themselves, an area where support from UNDP can be most useful. Resources and support from UNDP will be used to establish micro-credit and micro-grant, self-help, and community-level participation schemes on a pilot basis, to identify current weaknesses in the banking sector and community level organizations and to offer policy advice for remedial action. The people of Kyrgyzstan have a long tradition of self-reliance, and early results from the UNDP poverty alleviation project indicate that significant interest and capacity exist to take advantage of support for these self-help activities outside of the capital, in rural and remote areas.

17. Job creation is a major government priority. Unemployment resulting from idle enterprises contributes to the problems of poverty and crime, and at the

same time represents wasted opportunity for economic growth. UNDP will assist the Government in its efforts to address the weaknesses and lack of experience in the private sector by (a) promoting foreign direct investment; (b) strengthening the capacity of the Government to move enterprises effectively from state to private control; and (c) providing business and technical support to small- and medium-size enterprises.

18. In Kyrgyzstan, small- and medium-scale enterprises lack experience with the accounting and marketing procedures required in a market-oriented economy, and most do not have access to existing banking and credit institutions. These difficulties are compounded by legislation and regulations that are complicated, sometimes contradictory, and subject to frequent revision. UNDP will build on the success of small- and medium-scale enterprise development projects in other countries, to assist in the development of a legal environment that is favourable to enterprises and to improve the capacity of the court system to provide the legal support that small- and medium-scale enterprises need, while developing a network of trainers that can teach management, marketing and business skills.

B. Improving governance

19. One of the most important prerequisites for economic growth is a well-functioning government. A government that is efficient and accountable is better placed to address the needs of the nation in every sphere. Strong governance, democracy and participation traditions in turn ensure that economic growth is reflected in equitable improvements in human development. For these reasons, improving the effectiveness and efficiency of governance is a high priority of the Government of Kyrgyzstan. UNDP support for the Government's efforts to improve its efficiency will build on successful experiences in the fields of democratization, management development, and aid coordination. In the area of democratization and the support of civil society, UNDP will continue to build the capacity of the mass media and policy makers to use the media to encourage discussion of social and policy issues.

20. The increase in crime and the emerging corruption among law enforcement agencies pose a serious threat to the maintenance and strengthening of a credible and well-functioning Government. UNDP support in the area of capacity-building will help the Government to modernize law enforcement organizations, increase public awareness of crime prevention and criminal justice, and establish a special unit within the Ministry of Internal Affairs to fight organized crime. Government efforts in the field of democratization, crime prevention and reducing corruption will be further enhanced by UNDP-supported participation in regional programmes, experience exchanges and policy discussions among the Central Asian countries.

21. At this point in the transition the need for management development and capacity-building remains strong. The Bishkek International School of Business and Management will expand its curriculum to include degree and in-service training in public administration. UNDP-supported capacity-building in the

management of foreign direct investment, official development assistance and privatization should be continued at the national level and expanded to the regional and local levels. Additional support will be required to build programme development and auditing capacity within the sectoral ministries and in the private sector.

22. The continuing fiscal difficulties of the Government necessitate improved management of public resources. UNDP will assist the Government in this area by supporting capacity-building in the implementation of the Manas Health Reform Plan, in the development and implementation of inter-ministerial human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) policies, and in the Ministry of Education, to ensure that the best use is made of loans received to support comprehensive reform. A major effort will be made to build the capacity of the Ministry of Environmental Protection to coordinate the work of the ministries involved in disaster preparedness and mitigation and environmental management.

C. Improving opportunities for women

23. As mentioned above, there is serious concern over the increasingly difficult conditions faced by women in Kyrgyzstan. The President has established the State Committee on Women and Family Issues, to ensure that government policy and action are consistent with the Government's desire to expand the opportunities available to women. UNDP-supported capacity-building in that Committee, the establishment of the National Women-in-Development Bureau, and facilitation of participation in the Fourth World Conference on Women and its follow up will help the Government in achieving its aims. UNDP support for women's organizations will also further the Government's interests in the field of democratization and poverty alleviation, by building capacity for community participation and self-help. Women's NGOs can be a powerful force in the community, filling gaps in social services created by the transition and building a tradition for community-level initiative and action.

D. Protection of the environment

24. Kyrgyzstan has some important environmental concerns, including overgrazing, desertification, deterioration of urban water delivery systems and exposed radioactive mine tailings. At the same time, Kyrgyzstan possesses beautiful mountains and lakes that could form the basis for an eco-tourism industry. To address these problems and to protect the natural resources of the country, a National Environmental Action Plan has been developed. UNDP will support this government initiative by building the capacity of the Ministry of Environmental Protection to assume a leadership role among other ministries and donors in the coordination of implementation of the plan at the central and local level. In addition, by supporting the development of the National Strategy for Sustainable Human Development and the implementation of Agenda 21, UNDP will help to ensure that the principles of sustainable human development are integrated into national policy-making and strengthen the dialogue between civic and government institutions. Moreover, in response to environmental concerns raised at a UNDP-sponsored regional conference, the Government of

Kyrgyzstan has expressed an interest in the regional programme for Aral Sea basin capacity development, since one of the rivers that feeds the Aral Sea originates in the mountains of Kyrgyzstan.

E. Services

25. During the period of the first country programme, UNDP served as a base of operations for non-resident United Nations organizations and facilitated joint programming among United Nations agencies. External assistance has been very important to Kyrgyzstan during its first years of independence, and UNDP support for government efforts to coordinate organizations and assistance in the country has been appreciated. UNDP will continue to coordinate monthly consultative group meetings of all donor representatives, with participation from key government officials. In addition, UNDP will continue to support the Government in the following areas: by providing significant input for annual consultative group meetings organized by the World Bank; by mobilizing winter emergency humanitarian assistance, as necessary, coordinated by UNDP and United Nations Children's Fund; by organizing thematic consultative group meetings on a regular basis, to coordinate donor activity in the fields of humanitarian assistance and poverty alleviation; and by maintaining close contact with government officials and donors, to facilitate coordination on an informal level.

IV. MANAGEMENT ARRANGEMENTS

A. Execution and implementation

26. The effective use of national and regional expertise in the implementation of programmes will continue to be an important part of UNDP cooperation with the Government. Capacity-building of local NGOs has also been an explicit goal and activity in many programmes. These NGOs can now serve as partners in project formulation and implementation, so that the experience and talent that have been developed through the projects of the first country programme will facilitate and strengthen the implementation of the future programme.

27. Due to lack of experience and infrastructure, national execution was not possible for the majority of projects in the first country programme. However, at the end of 1995, the National Electoral Commission project was nationally executed. The successful demonstration of local capacity and the importance of the use of the national execution modality to ensure continued development of local capacities and management of projects will be reflected in a much greater reliance on national execution in the future. The necessary training of government counterparts and project managers will be included in UNDP support in this area.

28. The presence and expertise of UNVs has been a great service to the Government and should be extended, if possible, to include a national UNV programme. Short-term consultants for public and private enterprises were provided by United Nations International Short-Term Advisory Services (UNISTAR)

for the umbrella project for support of economic reform. As more enterprises in the private sector are established, there will be increasing need for such assistance with marketing and business management systems, and support from UNISTAR will continue to be very useful in meeting this need.

B. Monitoring and review

29. Monitoring and review are especially important in areas where there is relatively little experience in the country and because of the rapidly changing situation that prevails. In addition to the continuous monitoring and evaluation that will be undertaken by Goskominvest, the Government and UNDP will undertake a mid-term review of their cooperation, during which they will evaluate the individual projects, identify any problems in design or implementation that have arisen, and propose remedies if necessary. The mid-term review will also assess the degree to which the focus of the overall programme is being met and, perhaps most importantly, the degree to which the programme focus remains relevant. As in other aspects of cooperation on projects, local expertise in evaluation and monitoring will be used as much as possible.

30. Where the objective of a project is to create experience and increase participation as well as to reduce poverty, the impact is difficult to measure quantitatively. Even a failed activity can increase community participation and may prove to be the catalyst to successful community action in the future. The National Statistical Committee is in the process of conducting annual Living Standards Measurement Surveys, which will provide comprehensive information on household living conditions for the population of Kyrgyzstan. Data coming from these surveys will be used to measure the impact of some projects.

C. Resource mobilization

31. To date UNDP has been extremely successful in mobilizing resources to intensify the impact of its projects. UNDP will continue to make special efforts to promote the country among active and potential donors. Publicity generated for the country, such as that likely to come from the recent visit of a team of journalists from the Nordic countries provides an important service. The programme approach will continue to be used as an effective tool for mobilizing donor resources, especially in the fields of democratization and crime prevention. UNDP has also mobilized resources through cost-sharing from non-resident United Nations agencies, including the United Nations Population Fund, the United Nations Educational, Scientific and Cultural Organization and the United Nations International Drug Control Programme. UNDP will attempt to mitigate the impact of any decrease in cost-sharing funds as countries channel their resources through the European Union, by giving special consideration in project selection to ensure that resources are applied to maximize their catalytic effect and encourage the participation of other donors in the promotion of sustainable human development.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR KYRGYZSTAN (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	900	Includes $600 of second tranche of independence bonus.
TRAC 1.1.1	3 845	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	300	
Subtotal	5 045 a/	
NON-CORE FUNDS		
Government cost-sharing	1 500	
Sustainable development funds	800	Montreal Protocol, Capacity 21 and other
Third-party cost-sharing	20 000	
Funds, trust funds and other	-	
Subtotal	22 300	
GRAND TOTAL	27 345 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SSPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignments from the core.